

# **Dar Al Takaful PJSC**

Consolidated financial statements  
For the year ended 31 December 2019

## Directors' report

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2019.

### Incorporation and registered offices

Dar Al Takaful PJSC was incorporated as a public joint stock company. The Company carries out general takaful (Insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is P.O. Box 235353, Dubai, United Arab Emirates.

### Principal activities

The Group mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Group also invests its funds in investment securities.

### Financial position and results

The financial position and results of the Group for the year ended 31 December 2019 are set out in the accompanying consolidated financial statements

### Directors

The following were the Directors of the Group for the year ended 31 December 2019:

Mr. Abdulaziz Mohammed Abdulla Al Bannai	Chairman
Mr. Shahab Ahmed Lutfi Ali Harmoozi	Vice Chairman
Mr. Ali Humaid Ali Abdalla Al Owais	Member
Mr. Salah Ibrahim Sayed Mohammad Sharaf	Member
Mr. Yagub Bin Eisa Bin Nasser Al Serkal	Member
Ms. Meitha Mohamed Al Sharif Yousif Al Hashmi	Member
Dr. Mohammed Sharaf	Member

### Auditors

The consolidated financial statements for the year ended 31 December 2019 have been audited by Grant Thornton UAE and, being eligible, offer themselves for reappointment.

By order of the Board of Directors

Chairman

Date: 23 March 2020



**Independent auditor's report**  
**To the shareholders of Dar Al Takaful PJSC**

**Report on the audit of the consolidated financial statements**

**Opinion**

We have audited the consolidated financial statements of Dar Al Takaful PJSC (the "Company") and its Subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other matter**

The consolidated financial statements for the financial year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2019.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Independent auditor's report

### To the shareholders of Dar Al Takaful PJSC (continued)

#### Report on the audit of the consolidated financial statements (continued)

##### Key audit matters (continued)

###### i) Valuation of takaful contract liabilities and retakaful contract assets

The estimation of liabilities arising from takaful contracts such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 7 to the consolidated financial statements, involves a significant degree of judgement. These liabilities are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the takaful contract liabilities and retakaful contract assets by performing the following procedures:

- We tested the underlying company data to source documentation;
- We applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices;
- Understood and tested the governance process in place to determine the takaful contract liabilities and retakaful contract assets, including testing the associated financial reporting control framework;
- We performed independent re-computations on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our re-computed claims reserves to those booked by management, and sought to understand any significant differences;
- For the remaining classes we evaluated the methodology and assumptions, or performed a diagnostic check to identify and follow up any anomalies; and
- We involved our own actuarial specialist to assist us in performing our procedures in this area.

###### ii) Valuation of investment properties

Group holds investment properties under the fair value model as at 31 December 2019 amounting to AED 46.4 million (2018: 48.8 million), as detailed in note 11. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Group has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the consolidated financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.



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## **Independent auditor's report**

**To the shareholders of Dar Al Takaful PJSC (continued)**

**Report on the audit of the consolidated financial statements (continued)**

**Key audit matters (continued)**

### **ii) Valuation of investment properties (continued)**

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each property and other judgements used in performing the valuation;
- Assessing the competence, capabilities, and objectivity of external valuers; and
- Assessing the appropriateness of the key assumptions and methodologies used.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Independent auditor's report**

**To the shareholders of Dar Al Takaful PJSC (continued)**

### **Report on the audit of the consolidated financial statements (continued)**

#### **Auditor's Responsibilities for the audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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## **Independent auditor's report**

**To the shareholders of Dar Al Takaful PJSC (continued)**

**Report on the audit of the consolidated financial statements (continued)**

**Auditor's Responsibilities for the audit of the Consolidated Financial Statements (continued)**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent auditor's report**  
**To the shareholders of Dar Al Takaful PJSC (continued)**

**Report on Other Legal and Regulatory Requirements**

As required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the report of the Directors is consistent with the books of accounts of the Group;
- as disclosed in Note 5 to the consolidated financial statements, the Group has investment in shares during the financial year ended 31 December 2019;
- Note 30 to the consolidated financial statements reflects material related party transactions, and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and Organisation of its operation or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and
- Note 39 to the consolidated financial statements reflects the social contributions made during the year.

Further, as required by the UAE Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies as discussed in statement of compliance footnote to the consolidated financial statements, the Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority especially pertaining to Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures and calculation disclosure in respect of the solvency margin and claims development schedule.

  
**GRANT THORNTON**  
Farouk Mohamed  
Registered Auditor Number 86



Dubai, 23 March 2020

**Dar Al Takaful PJSC**  
**Consolidated statement of financial position**  
**As at 31 December 2019**

	Notes	2019 AED	2018 AED
<b>ASSETS</b>			
<b>Takaful operations' assets</b>			
Available-for-sale investments	5	3,350,308	3,732,941
Held to maturity	5	2,001,297	2,001,297
Deferred policy cost	6	19,537,186	12,508,753
Retakaful contract assets			
Unearned contribution	7	37,697,630	44,279,489
Claims reported unsettled	7	28,675,068	27,444,310
Claims incurred but not reported	7	13,500,322	26,393,258
Contribution deficiency reserve	7	25,537	-
Takaful and other receivables	8	162,906,724	104,645,106
Prepayments and other receivables	9	4,425,368	2,362,308
Wakala deposits	10	107,898,591	70,000,000
Investment properties	11	19,531,036	21,526,800
Cash and cash equivalents	12	21,205,716	17,236,387
<b>Total takaful operations' assets</b>		<b>420,754,783</b>	<b>332,130,649</b>
<b>Shareholders' assets</b>			
Property and equipment	13	9,504,157	12,531,960
Intangible assets	14	1,239,178	472,725
Investment properties	11	26,911,464	27,309,425
Available-for-sale investments	5	7,518,870	7,981,406
Held to maturity	5	8,722,890	8,722,890
Restricted deposit	15	6,000,000	6,000,000
Wakala deposits	10	54,251,618	52,897,903
Due from policyholders	16	12,933,881	2,508,962
Prepayments and other receivables	9	3,733,537	6,248,216
Cash and cash equivalents	12	6,172,340	7,801,736
Assets included in subsidiary classified as held for sale	27	872,007	-
<b>Total shareholders' assets</b>		<b>137,859,942</b>	<b>132,475,223</b>
<b>Total assets</b>		<b>558,614,725</b>	<b>464,605,872</b>


The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of financial position (continued)**  
**As at 31 December 2019**

	Notes	2019 AED	2018 AED
<b>TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>			
<b>Takaful operations' liabilities</b>			
Deferred discount		2,251,897	2,076,443
<b>Takaful contract liabilities:</b>			
Unearned contribution	7	198,156,600	117,773,745
Claims reported unsettled	7	64,893,012	51,028,719
Claims incurred but not reported	7	26,154,504	44,308,033
Unallocated loss adjustment expenses	7	3,112,732	1,632,599
Contribution deficiency reserve	7	692,348	474,433
Takaful payables	17	112,658,068	112,469,795
Due to shareholders	16	12,933,881	2,508,962
<b>Total takaful operations' liabilities</b>		<b>420,853,042</b>	<b>332,272,729</b>
<b>Takaful operations' deficit</b>			
Qard Hassan against deficit in policyholders' fund	18	(66,870,344)	(21,019,209)
Less: Provision against Qard Hassan to policyholders' fund	18	66,870,344	21,019,209
Available-for-sale investments reserve	29	(98,257)	(142,080)
<b>Total deficit from takaful operations</b>		<b>(98,257)</b>	<b>(142,080)</b>
<b>Total takaful operations' liabilities and deficit</b>		<b>420,754,785</b>	<b>332,130,649</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Other liabilities	19	9,636,548	9,634,362
Liabilities included in subsidiary classified as held for sale	27	526,994	-
<b>Total shareholders' liabilities</b>		<b>10,163,542</b>	<b>9,634,362</b>
<b>Shareholders' equity</b>			
Share capital	20	150,000,000	150,000,000
Statutory reserve	21	3,217,989	2,727,473
Accumulated losses		(25,521,591)	(29,936,235)
Available-for-sale investments reserve	29	-	49,623
<b>Total shareholders' equity</b>		<b>127,696,398</b>	<b>122,840,861</b>
<b>Total shareholders' liabilities and equity</b>		<b>137,859,940</b>	<b>132,475,223</b>
<b>Total liabilities, policyholders' fund and equity</b>		<b>558,614,725</b>	<b>464,605,872</b>

These consolidated financial statements were approved by the Board of Directors on 23 March 2020 and were signed on their behalf by:

  
**Abdulaziz Mohammed Abdulla Al Bannai**  
Chairman

  
**A.R. Srinivasan**  
Chief Executive Officer

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of income**  
**For the year ended 31 December 2019**

	Notes	2019 AED	2018 AED
<b>Attributable to policyholders</b>			
<b>Takaful income</b>			
Gross contribution written	22	402,217,704	290,412,178
Accepted business		748,623	227,783
Retakaful share of ceded business		(138,593,760)	(127,034,821)
<b>Net takaful contribution</b>		<b>264,372,567</b>	<b>163,605,140</b>
Net transfer to unearned contributions reserve		(86,964,712)	19,159,376
<b>Net takaful contributions earned</b>	22	<b>177,407,855</b>	<b>182,764,516</b>
Discount earned		6,130,194	6,269,721
Policy fee		25,771	118,261
<b>Total takaful income</b>		<b>183,563,820</b>	<b>189,152,498</b>
<b>Takaful expenses</b>			
Gross claims paid	23	(196,952,096)	(243,688,898)
Retakaful share of ceded business paid		99,216,350	134,880,919
<b>Net takaful claims paid</b>		<b>(97,735,746)</b>	<b>(108,807,979)</b>
Change in provision for outstanding claims		(13,864,293)	12,393,142
Change in retakaful share of outstanding claims		1,230,759	(5,813,399)
Change in net incurred but not reported claims		5,260,593	450,062
Change in unallocated loss adjustment expenses reserve		(1,480,132)	(39,610)
Changes in the net provision for contribution deficiency reserve		(192,378)	(79,220)
<b>Net claims incurred</b>	23	<b>(106,781,197)</b>	<b>(101,897,004)</b>
Excess of loss of takaful contribution		(2,249,830)	(2,396,691)
<b>Total takaful income</b>		<b>74,532,793</b>	<b>84,858,803</b>
Wakala fees	24	(120,889,900)	(98,817,407)
Mudarib's fee	24	(1,718,608)	(1,691,981)
Investment and other income	26	3,162,954	3,874,105
<b>Net loss from takaful operation for the year</b>		<b>(44,912,761)</b>	<b>(11,776,480)</b>

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of income (continued)**  
**For the year ended 31 December 2019**

	Notes	2019 AED	2018 AED
<b>Attributable to shareholders</b>			
<b>Income</b>			
Wakala fees from policyholders	24	120,889,900	98,817,407
Mudarib's fee	24	1,718,608	1,691,981
Investment income/(loss)	26	3,170,026	(1,949,521)
		<u>125,778,534</u>	<u>98,559,867</u>
<b>Expense</b>			
General and administrative expenses	25	(35,702,865)	(41,383,545)
Policy acquisition cost	6	(35,181,363)	(37,390,936)
Other underwriting expenses		(1,752,419)	(1,294,407)
Loss for the year from subsidiary classified as held for sale	27	(3,323,966)	-
		<u>(75,960,613)</u>	<u>(80,068,888)</u>
Profit for the period before Qard Hassan		49,817,921	18,490,979
Provision against Qard Hassan to policyholders	17	(44,912,761)	(11,776,480)
		<u>4,905,160</u>	<u>6,714,499</u>
<b>Profit for the year attributable to shareholders</b>			
<b>Earnings per share</b>	28	<u>0.033</u>	<u>0.045</u>

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2019**

	2019 AED	2018 AED
<b>Attributable to policyholders</b>		
Loss for the year	<u>(44,912,761)</u>	<u>(11,776,480)</u>
<b>Other comprehensive loss</b>		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Reclassification adjustments relating to available-for-sale financial assets disposed off during the year	142,080	81,895
Unrealised loss on available-for-sale investments	<u>(98,257)</u>	<u>(142,585)</u>
<b>Other comprehensive income/(loss) for the year</b>	<u>43,823</u>	<u>(60,690)</u>
<b>Total comprehensive loss for the year attributable to policyholders</b>	<u>(44,868,938)</u>	<u>(11,837,170)</u>
<b>Attributable to shareholders</b>		
Profit for the year	4,905,160	6,714,499
<b>Other comprehensive income</b>		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Reclassification adjustments relating to available-for-sale financial assets disposed off during the year	(49,623)	(134,955)
Unrealised gain on available-for-sale investment	-	169,115
<b>Other comprehensive (loss)/income for the year</b>	<u>(49,623)</u>	<u>34,160</u>
<b>Total comprehensive income for the year attributable to shareholders</b>	<u>4,855,537</u>	<u>6,748,659</u>

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2019**

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available- for-sale investments reserve AED	Total AED
Balance at 1 January 2018	150,000,000	2,056,023	(35,979,284)	15,463	116,092,202
Profit for the year	-	-	6,714,499	-	6,714,499
Other comprehensive income for the year	-	-	-	34,160	34,160
Total comprehensive income for the year	-	-	6,714,499	34,160	6,748,659
Transfer to statutory reserve	-	671,450	(671,450)	-	-
Balance at 31 December 2018	150,000,000	2,727,473	(29,936,235)	49,623	122,840,861
Profit for the year	-	-	4,905,160	-	4,905,160
Other comprehensive loss for the year	-	-	-	(49,623)	(49,623)
Total comprehensive income/(loss) for the year	-	-	4,905,160	(49,623)	4,855,537
Transfer to statutory reserve	-	490,516	(490,516)	-	-
Balance at 31 December 2019	150,000,000	3,217,989	(25,521,591)	-	127,696,398

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of cashflows**  
**For the year ended 31 December 2019**

	Notes	2019 AED	2018 AED
<b>Cash flows from operating activities</b>			
Profit for the year		4,905,160	6,714,499
Adjustments for:			
Depreciation of property and equipment	13	1,765,223	2,067,120
Amortisation of intangible assets	14	388,760	236,964
Provision for doubtful receivables	8	1,485,662	3,047,051
Impairment in assets of subsidiary	27	2,200,000	-
Change in fair value of investment properties	11	2,393,725	2,003,165
Realised loss on sale of financial assets carried at FVTPL	26	-	3,705,237
Realised loss on sale of financial assets carried at FVOCI	26	195,119	303,570
Income from wakala deposits		(5,663,650)	(3,201,532)
Income from debt securities		(820,998)	(863,957)
Dividend income on securities		(82,934)	(538,818)
Rental income		(1,939,590)	(2,289,397)
Provision for employees' end of service benefits	19	680,944	901,639
<b>Operating cash flows before changes in operating assets and liabilities</b>			
		5,507,421	12,085,541
(Increase)/decrease in takaful and other receivables		(59,747,280)	30,824,403
Decrease in prepayments and other receivables		451,620	1,004,186
(Increase)/decrease in deferred policy costs		(7,028,433)	4,697,240
Decrease in retakaful assets		18,218,500	35,241,444
Increase/(decrease) in deferred discount received		175,454	(358,106)
Increase/(decrease) in takaful contract liabilities		77,791,667	(61,311,795)
Increase/(decrease) in takaful payables		188,273	(15,026,805)
Increase/(decrease) in other liabilities		23,079	(2,438,276)
<b>Cash generated from operations</b>			
		35,580,300	4,717,832
End of service benefits paid	19	(453,919)	(1,096,142)
<b>Net cash generated from operating activities</b>			
		35,126,381	3,621,690
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	13	(1,895,056)	(1,513,431)
Acquisition of intangible assets	14	(107,353)	(230,560)
Purchase of investment securities		-	(13,907,643)
Proceeds from sale of investment securities	5	644,250	42,201,229
Income received on Wakala deposits		5,663,650	3,201,532
Income received from debt securities		820,998	863,957
Dividend income received		82,934	538,818
Wakala deposits made during the year - net		(39,252,306)	(30,132,540)
Rental income		1,939,590	2,289,397
<b>Net cash (used in)/generated from investing activities</b>			
		(32,103,293)	3,310,759
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(588,581)	-
<b>Net cash used in financing activities</b>			
		(588,581)	-

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

**Dar Al Takaful PJSC**  
**Consolidated statement of cashflows (continued)**  
**For the year ended 31 December 2019**

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	Notes	2019 AED	2018 AED
<b>Net increase in cash and cash equivalents</b>		<b>2,434,507</b>	6,932,449
Cash and cash equivalents			
- At the beginning of year		<b>25,038,123</b>	18,105,674
- Included in the subsidiary classified as held for sale	27	<b>(94,574)</b>	-
<b>Cash and cash equivalents at the end of the year</b>	12	<b>27,378,056</b>	25,038,123

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

**1 Legal status and activities**

Dar Al Takaful PJSC (the “Company”) was incorporated as a public joint stock company and obtained its commercial license on 23 July 2008 while commenced operations on 1 September 2008. The Company carries out general takaful (Insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari’a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company’s registered office is P.O. Box. 235353, Dubai, United Arab Emirates.

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Group also invests its funds in investment securities.

The Company with its subsidiary is collectively referred to as the “Group” in these consolidated financial statements. At 31 December 2019, the Company had the following subsidiary:

Name of subsidiary	Ownership interest (%)		Country of incorporation	Principal activities
	2019	2018		
Auto Crew Workshop LLC	100	100	United Arab Emirates	Auto Mechanical repairing workshop

**2 Statement of compliance with IFRS**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of UAE Federal Law No. (2) of 2015 relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, concerning takaful companies and agents. These consolidated financial statements are prepared in UAE Dirhams (“AED”), rounded to the nearest thousand.

**Standards, interpretations and amendments to existing standards**

**a) Standards, interpretations and amendments to existing standards that are effective in 2019**

Certain standards, interpretations and amendments to existing standards, issued by the IASB, that are effective for the accounting period beginning on or after 1 January 2019 are relevant to the Group and have been applied for the first time. The nature and impact of these standards, interpretations and amendments is described in the accounting policies.

Standard number	Title	Effective date
IFRS 16	Leases	1 January 2019

IFRS 16 supersedes IAS 17 “Leases”, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective transition approach of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

**2 Statement of compliance with IFRS (continued)**

**Standards, interpretations and amendments to existing standards (continued)**

**a) Standards, interpretations and amendments to existing standards that are effective in 2019**

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The impact arising from the implementation of this standard in these consolidated financial statements is as follows:

	2019 AED
<b>Right to use assets</b>	
Balance as at 1 January	1,115,905
Depreciation charge for the year	(557,952)
<b>Balance as at 31 December</b>	<u>557,953</u>
<b>Lease liability</b>	
Balance as at 1 January	1,115,905
Funding cost on lease liability	40,596
Lease payments made during the year	(588,581)
<b>Balance as at 31 December</b>	<u>567,920</u>
<b>Amounts recognised in the income statement</b>	
	2019 AED
<b>General and administrative expenses</b>	
Funding cost on lease liability	40,596
Depreciation of right to use assets	557,952
	<u>598,548</u>

Several other amendments and interpretations apply for the first time in 2019, but do not have any material impact on the consolidated financial statements of the Group.

**b) Standards and interpretations effective but not yet adopted by the Group**

**Applying IFRS 9 Financials Instrument with IFRS 4 Insurance Contracts**

The Group qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amounts of its liabilities within the scope of IFRS 4 being greater than 90 percent of the total carrying amount of all its liabilities at 1 January 2018 with no subsequent change in its activities.

The fair value of the Group's directly held financial assets at 31 December 2019 that will give rise to solely payments of principal and interest ("SPPI") criterion on implementation of IFRS 9, excluding any financial assets that meets the definition of held for trading, are shown in the table given on the next page:

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

**2 Statement of compliance with IFRS (continued)**

**Standards, interpretations and amendments to existing standards (continued)**

**b) Standards and interpretations effective but not yet adopted by the Group (continued)**

**Applying IFRS 9 Financials Instrument with IFRS 4 Insurance Contracts (continued)**

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading		All other financial assets	
	Fair value at 31 December 2019	Movement in fair value during the year	Fair value at 31 December 2019	Movement in fair value during the year
Assets	AED	AED	AED	AED
Takaful and other receivables	168,441,653	-	-	-
Available-for-sale investments	3,350,308	(98,257)	7,518,870	(247,381)
Held to maturity	10,724,187	-	-	-
Other receivables	5,915,874	-	-	-
Restricted deposit	6,000,000	-	-	-
Wakala deposits	162,150,209	-	-	-
Cash and cash equivalents	27,378,056	-	-	-
	<b>383,960,287</b>	<b>(98,257)</b>	<b>7,518,870</b>	<b>(247,381)</b>

The financial assets that pass the SPPI test, excluding any financial assets that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of investment securities, deposits and bank balances are as follows:

Assets	AAA AED	AA+ to AA- AED	A+ to A- AED	BBB+ to BBB- AED	Below BBB- or not rated AED	Total AED
Available-for-sale investments	-	-	2,350,308	1,000,000	-	3,350,308
Held to maturity	-	-	-	5,042,890	5,681,297	10,724,187
Restricted deposit	-	-	6,000,000	-	-	6,000,000
Wakala deposits	-	-	132,150,209	-	30,000,000	162,150,209
Cash and cash equivalents	-	-	26,216,378	858,108	303,570	27,378,056
	-	-	166,716,895	6,900,998	35,984,867	209,602,760

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**2 Statement of compliance with IFRS (continued)**

**Standards, interpretations and amendments to existing standards**

**c) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group**

<b>Standard number</b>	<b>Title</b>	<b>Effective date</b>
IFRS 17	Insurance Contracts	1 January 2023

IFRS 17 'Insurance Contracts' requires insurance contract liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.

These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2023.

There are no other standards and interpretations issued but not yet adopted that the directors anticipate to have a material effect on the reported income or net assets of the Group.

Group is currently evaluating the expected impact on the consolidated financial statements.

**3 Summary of significant accounting policies**

**Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as of 31 December 2019. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Changes in the group ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Business combinations and goodwill**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

For common control transactions in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory, the Group recognises the difference between purchase consideration and carrying amount of net assets of acquired entities or businesses as an adjustment to equity. This accounting treatment is also applied to later acquisition of some or all shares of the non-controlling interests in a subsidiary.

**Product classification**

Takaful contracts are those contracts where a group of policyholders (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Group acts as a Wakil (agent) on their behalf in managing the Islamic Takaful insurance operations in consideration for a Wakala fee. The Takaful amounts (contributions) paid net of the Wakala fee are considered as funds available for Mudarba, where the Group acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, (Mudarib fee) if any. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Group, in its capacity as an agent.

In case of deficit in policyholders operation, such deficit is funded by the shareholders as a Qard Hasan (profit free loan).

**Surplus/deficit in policyholders' fund**

If the surplus in the policyholders' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between policyholders that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Group's Fatwa and Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the policyholders' fund.

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hasan) from the shareholders' fund. This Qard Hasan is to be repaid from future surpluses arising from takaful operations on a priority basis. This Qard Hasan is tested for impairment annually and the portion of the Qard Hasan that is considered impaired is charged to the statement of income.

On liquidation of the fund, the accumulated surplus in the policyholders' fund, if any, after meeting all obligations (including repayment of the outstanding amount of Qard Hasan), will be dealt with after consulting with the Group's Fatwa and Shari'a Supervisory Board. In case of an accumulated deficit, any Qard Hasan outstanding at the time of liquidation will not be repayable by the policyholders' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the policyholders' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hasan (loan without any profit). The Group maintains a full provision against the Qard Hasan.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Property and equipment**

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) is not depreciated.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Building	40 years
Leasehold improvement	10 years
Furniture and fixtures	4 years
Office equipment	3-5 years
Vehicles	5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate at each financial year end.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

**Leases**

The Group has adopted IFRS 16 – Leases on its effective date of 1 January 2019 using the modified retrospective transition approach. IFRS 16 replaces IAS 17 'Leases'. Leases are recorded in the statement of financial position in the form of a right-to-use asset and a lease liability.

Subsequent to implementation of IFRS 16, the Group recognises a right-to-use asset and a lease liability at the lease commencement date.

The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the funding cost rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

The lease liability is measured at amortised cost using the effective funding cost method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Leases (continued)**

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Group presents right-to-use assets that do not meet the definition of investment property in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated. All rights-to-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of funding cost on the remaining balance of the liability for each period.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are amortised over the useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Revenue recognition**

The Group has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018. IFRS 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers.

It has superseded the following revenue Standards and Interpretations upon its effective date:

- IAS 18, Revenue;
- IAS 11, Construction Contracts;
- IFRIC 13, Customer Loyalty Programmes;
- IFRIC 15, Agreements for the Construction of Real Estate;
- IFRIC 18, Transfers of Assets from Customers; and
- SIC 31, Revenue-Barter Transactions Involving Advertising Services.

The Group assessed the impact of IFRS 15 which is not material to the consolidated financial statements as at the reporting date and as at the date of the initial application, 1 January 2018, since significant portion of its revenue is in accordance with IFRS 4, Insurance Contracts.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

***Gross takaful contributions***

Gross takaful contributions comprise the total contributions receivable for the whole period of cover provided by Takaful contracts entered into during the accounting period and are recognised on the date on which the Takaful policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of Takaful contracts executed in prior accounting periods. Contributions collected by intermediaries but not yet received, are assessed based on estimates from Takaful operations or past experience and are included in Takaful contributions.

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated as the higher of the amount determined on a daily prorated basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

***Discounts earned***

Discounts earned are recognised at the time policies are written. Discount earned on outwards retakaful contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

***Wakala fees***

The Group manages the takaful operations on behalf of the policyholders for a wakala fee which is recognised on an accrual basis. A similar amount is shown as expense statement of income attributable to policyholders.

***Investment income***

Profit income is recognised on an accrual basis taking into account effective funding cost rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Dividend income is recognised when the right to receive payment is established.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

**Retakaful contribution**

Gross retakaful contribution written comprise the total contribution payable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contribution written in a year that relate to periods of risk after the reporting date.

Unearned retakaful contributions are deferred over the term of the underlying direct Takaful policies for risks-attaching contracts and over the term of the retakaful contract for losses occurring contracts.

Gross retakaful contribution on life are recognised as an expense on the earlier of the date when contribution are payable or when the policy becomes effective.

The Group cedes Takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the retakaful can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded retakaful arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes retakaful risk in the normal course of business for takaful contracts where applicable. Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**Claims**

Claims consist of amounts paid and payable to Takaful contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred. Provision for incurred but not reported claims is included within the additional reserve and reflected in the consolidated statement of income.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate claims. Any difference between the provisions at the end of each reporting date and settlements in the following period is included in the underwriting account for that year. The reinsurers' portion towards the above outstanding claims is classified as retakaful contract assets and shown as current assets in the statement of financial position.

**Retakaful share of claims incurred**

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the relevant contract.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Policy acquisition costs**

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortized over the terms of the policies as Takaful contribution is earned.

**Provision for IBNR**

Provision for Incurred But Not Reported (“IBNR”) claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for takaful companies issued by the Takaful Authority UAE.

**Provision for ULAE**

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, UAE.

**Liability adequacy test**

All recognised takaful contract liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

**Claims reported unsettled**

Contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the claims reported unsettled provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

**Unearned premium reserve**

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of retakaful, which relates to the period of takaful subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, UAE.

**Retakaful assets**

Amounts recoverable under retakaful contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

**Financial instruments**

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'other financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

**Financial assets**

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

'Other financial assets' comprise of cash and cash equivalents, takaful and other receivables.

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the statement of comprehensive income.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

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**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

*Available-for-sale (AFS) financial assets*

The Group has investments that are not traded in an active market and are classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

*Held-to-maturity (HTM)*

Held-to-maturity (HTM) assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, where the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective profit method less any impairment.

*Other financial assets*

Other financial assets are measured at amortised costs using the effective profit method, less any impairment. Profit income is recognised by applying the effective profit rate, except for short-term receivables when the recognition of profit would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as takaful receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

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**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

*Impairment of financial assets (continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When a takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

**Financial liabilities and equity instruments**

*Classification as debt or equity*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
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**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial liabilities and equity instruments (continued)**

*Financial liabilities (continued)*

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide an Islamic financing at below market profit rate are measured in accordance with the specific accounting policies set out below.

*Takaful, retakaful and other payables*

Takaful, retakaful and other payables and due to shareholders are initially measured at fair value, plus transaction costs and are subsequently measured at amortised cost using the effective profit method.

*Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit method. Profit expense that is not capitalised as part of costs of an asset is included in the consolidated income statement.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*De-recognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

**Receivables and payables related to takaful contracts**

Receivables and payables are recognised when due. These include amounts due to and from takaful brokers, re-insurers and takaful contract holders. If there is objective evidence that the takaful receivables are impaired, the Group reduces the carrying amount of the takaful receivables accordingly and realises the impairment loss in the income statement.

**Employee benefits**

*Short-term employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

*Provision for employees' end of service benefits*

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities. The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

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**Notes to the consolidated financial statements**  
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**3 Summary of significant accounting policies (continued)**

**Foreign currency transactions**

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

**Short term operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
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**3 Summary of significant accounting policies (continued)**

**Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 21 and 29 to the consolidated financial statements.

Retained earnings include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

**Segment reporting**

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Group for segment reporting under IFRS 8 are the same as those used in its financial statements.

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
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**4 Critical accounting estimates and judgements in applying accounting policies**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Outstanding claims, IBNR, ULAE and UPR*

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under takaful contracts is the Group's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

*Classification of investment properties and related fair value judgement*

The Group makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

*Fair value of unquoted securities*

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

*Provision for doubtful debts*

The Group reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Group also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

**Dar Al Takaful PJSC**  
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**5 Investment in securities**

**Available-for-sale investments**

Available-for-sale investments comprise the following:

	2019 AED	2018 AED
Quoted equity securities in U.A.E.	-	499,531
Quoted debt securities in U.A.E.	2,350,308	2,448,565
Unquoted equity securities in U.A.E.	7,518,870	7,766,251
Unquoted debt securities in U.A.E.	1,000,000	1,000,000
	<u>10,869,178</u>	<u>11,714,347</u>
Attributable to:		
Policyholders	3,350,308	3,732,941
Shareholders	7,518,870	7,981,406
	<u>10,869,178</u>	<u>11,714,347</u>

**Held to maturity**

Financial assets held to maturity comprises the following:

	2019 AED	2018 AED
Quoted debt securities inside U.A.E.	2,001,297	2,001,297
Quoted debt securities outside U.A.E.	5,042,890	5,042,890
Unquoted debt securities outside U.A.E.	3,680,000	3,680,000
	<u>10,724,187</u>	<u>10,724,187</u>
Policyholders	2,001,297	2,001,297
Shareholders	8,722,890	8,722,890
	<u>10,724,187</u>	<u>10,724,187</u>

The fair value of the investments held to maturity amounted to AED 10.7 million as of 31 December 2019 (31 December 2018: AED 10.7 million).

2019	Available-for-sale AED	At amortised cost AED	Total AED
At 1 January 2019	11,714,347	10,724,187	22,438,534
Disposal during the year	(644,250)	-	(644,250)
Fair value loss recorded in the consolidated statement of income	(195,119)	-	(195,119)
Fair value loss recorded in the consolidated statement of comprehensive income	(5,800)	-	(5,800)
<b>At 31 December 2019</b>	<u>10,869,178</u>	<u>10,724,187</u>	<u>21,593,365</u>

**Dar Al Takaful PJSC**  
**Notes to the consolidated financial statements**  
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**5. Investment in securities (continued)**

	Available-for-sale AED	Fair value through profit or loss AED	At amortised cost AED	Total AED
2018				
At 1 January 2018	19,088,919	23,153,118	12,525,420	54,767,457
Purchases during the year	8,886,985	5,020,658	-	13,907,643
Disposal during the year	(15,931,457)	(24,468,539)	(1,801,233)	(42,201,229)
Fair value loss recorded in the consolidated statement of income	(303,570)	(3,705,237)	-	(4,008,807)
Fair value loss recorded in the consolidated statement of comprehensive income	(26,530)	-	-	(26,530)
At 31 December 2018	11,714,347	-	10,724,187	22,438,534

**6. Deferred policy cost**

	2019 AED	2018 AED
At 1 January	12,508,753	17,205,993
Booked during the year	42,209,796	32,693,696
Charged to consolidated statement of income	(35,181,363)	(37,390,936)
At 31 December	19,537,186	12,508,753

**7. Takaful contract liabilities and retakaful assets**

	2019 AED	2018 AED
<b>Gross</b>		
Takaful contract liabilities:		
Unearned contribution	198,156,600	117,773,745
Claims reported unsettled	64,893,012	51,028,719
Claims incurred but not reported	26,154,504	44,308,033
Unallocated loss adjustments expense	3,112,732	1,632,599
Contribution deficiency reserve	692,348	474,433
<b>Total takaful contract liabilities, gross</b>	<b>293,009,196</b>	<b>215,217,529</b>
<b>Recoverable from retakaful</b>		
Retakaful contract assets:		
Unearned contribution	37,697,630	44,279,489
Claims reported unsettled	28,675,068	27,444,310
Claims incurred but not reported	13,500,322	26,393,258
Contribution deficiency reserve	25,537	-
<b>Total retakaful share of takaful contract liabilities</b>	<b>79,898,557</b>	<b>98,117,057</b>
<b>Net</b>		
Unearned contribution	160,458,970	73,494,256
Claims reported unsettled	36,217,944	23,584,409
Claims incurred but not reported	12,654,182	17,914,775
Unallocated loss adjustments expense	3,112,732	1,632,599
Contribution deficiency reserve	666,811	474,433
	<b>213,110,639</b>	<b>117,100,472</b>

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**For the year ended 31 December 2019**

**7. Takaful contract liabilities and retakaful assets (continued)**

2019	Unearned contribution AED	Claims reported unsettled AED	Claims incurred but not reported AED	Unallocated loss adjustment expenses AED	Contribution deficiency reserve AED	Total AED
Motor	40,854,147	17,827,243	7,441,496	1,457,579	167,056	67,747,521
Medical	117,017,701	15,378,306	4,492,273	225,155	-	137,113,435
General takaful	2,587,122	3,012,395	720,413	1,429,998	499,755	8,249,683
<b>Total</b>	<b>160,458,970</b>	<b>36,217,944</b>	<b>12,654,182</b>	<b>3,112,732</b>	<b>666,811</b>	<b>213,110,639</b>

2018	Unearned contribution AED	Claims reported unsettled AED	Claims incurred but not reported AED	Unallocated loss adjustment expenses AED	Contribution deficiency reserve AED	Total AED
Motor	45,111,754	15,434,693	7,227,805	609,259	-	68,383,511
Medical	25,752,692	5,743,321	9,447,060	461,212	455,784	41,860,069
General takaful	2,629,810	2,406,395	1,239,910	562,128	18,649	6,856,892
<b>Total</b>	<b>73,494,256</b>	<b>23,584,409</b>	<b>17,914,775</b>	<b>1,632,599</b>	<b>474,433</b>	<b>117,100,472</b>

**8. Takaful and other receivables**

	2019 AED	2018 AED
Contributions receivable	168,441,653	103,308,078
Receivable from retakaful and other takaful companies	2,265,505	5,377,797
Other receivables	4,114,940	6,388,943
	<b>174,822,098</b>	<b>115,074,818</b>
Less: Provisions for doubtful receivables	(11,915,374)	(10,429,712)
	<b>162,906,724</b>	<b>104,645,106</b>

The amounts due from retakaful are settled on a quarterly basis.

Movements in provision for doubtful receivables is given below:

	2019 AED	2018 AED
As at 1 January	10,429,712	7,382,661
Charge for the year (note 25)	1,485,662	3,047,051
	<b>11,915,374</b>	<b>10,429,712</b>

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**8. Takaful and other receivables (continued)**

	2019 AED	2018 AED
<b>Takaful and other receivables - Inside UAE</b>		
Contribution receivables	168,441,653	103,308,078
Less: Provision for doubtful receivables	(9,095,753)	(8,109,708)
	<u>159,345,900</u>	<u>95,198,370</u>
Receivables from retakaful and other takaful companies	862,478	4,279,832
Other receivables	4,114,940	6,388,943
Less: Provision for doubtful receivables	(2,528,302)	(2,028,299)
	<u>2,449,116</u>	<u>8,640,476</u>
<b>Takaful and other receivables - Outside UAE</b>		
Receivable from retakaful and other takaful companies	1,403,027	1,097,965
Less: Provision for doubtful receivables	(291,319)	(291,705)
	<u>1,111,708</u>	<u>806,260</u>
<b>Total takaful and other receivables</b>	<u><u>162,906,724</u></u>	<u><u>104,645,106</u></u>

**Ageing of takaful and other receivables**

2019	Contribution receivables AED	Receivable from retakaful and other takaful companies AED	Other receivables AED	Total AED
<b>Takaful and other receivables - inside UAE</b>				
Current	73,262,862	-	4,114,940	77,377,802
30 - 90 days	34,424,476	512,764	-	34,937,240
91 - 180 days	16,339,592	74,383	-	16,413,975
181 - 360 days	13,421,577	132,610	-	13,554,187
More than 360 days	30,993,146	142,721	-	31,135,867
Less: Provision for doubtful receivables	(9,095,753)	(28,302)	(2,500,000)	(11,624,055)
	<u>159,345,900</u>	<u>834,176</u>	<u>1,614,940</u>	<u>161,795,016</u>
<b>Takaful and other receivables - outside UAE</b>				
Current	-	-	-	-
30 - 90 days	-	692,793	-	692,793
91 - 180 days	-	404,601	-	404,601
181 - 360 days	-	7,460	-	7,460
More than 360 days	-	298,173	-	298,173
Less: Provision for doubtful receivables	-	(291,319)	-	(291,319)
	<u>-</u>	<u>1,111,708</u>	<u>-</u>	<u>1,111,708</u>
<b>Total takaful and other receivables</b>	<u><u>159,345,900</u></u>	<u><u>1,945,884</u></u>	<u><u>1,614,940</u></u>	<u><u>162,906,724</u></u>

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**8. Takaful and other receivables (continued)**

2018	Contribution receivables AED	Receivable from retakaful and other takaful companies AED	Other receivables AED	Total AED
<b>Takaful and other receivables - inside UAE</b>				
Current	25,466,893	561,225	4,388,946	30,417,064
30 - 90 days	13,890,445	297,444	-	14,187,889
91 - 180 days	19,345,823	1,723,636	-	21,069,459
181 - 360 days	18,657,507	1,509,190	-	20,166,697
More than 360 days	25,947,410	188,337	1,999,997	28,135,744
Less: Provision for doubtful receivables	(8,109,708)	(28,302)	(1,999,997)	(10,138,007)
	<u>95,198,370</u>	<u>4,251,530</u>	<u>4,388,946</u>	<u>103,838,846</u>
<b>Takaful and other receivables - outside UAE</b>				
Current	-	788,129	-	788,129
30 - 90 days	-	58	-	58
91 - 180 days	-	2,972	-	2,972
181 - 360 days	-	12,208	-	12,208
More than 360 days	-	294,598	-	294,598
Less: Provision for doubtful receivables	-	(291,705)	-	(291,705)
	<u>-</u>	<u>806,260</u>	<u>-</u>	<u>806,260</u>
<b>Total takaful and other receivables</b>	<u>95,198,370</u>	<u>5,057,790</u>	<u>4,388,946</u>	<u>104,645,106</u>

**9. Prepayments and other receivables**

	2019 AED	2018 AED
Prepaid expenses	2,409,865	3,187,346
Deposits	651,961	1,221,064
Other receivables	5,097,079	4,188,114
Advance	-	14,000
	<u>8,158,905</u>	<u>8,610,524</u>
Attributable to:		
Policyholders	4,425,368	2,362,308
Shareholders	3,733,537	6,248,216
	<u>8,158,905</u>	<u>8,610,524</u>

**10. Wakala deposits**

Wakala deposits have a fixed maturity varying from 3 months to 1 year and yield a profit rate of 2.35 % p.a. to 4.0% p.a. (2018: 2.0 % p.a. to 4.1% p.a.).

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**11. Investment Properties**

	2019 AED	2018 AED
Balance at 1 January	48,836,225	50,839,390
Decrease in fair value during the year (note 26)	<u>(2,393,725)</u>	<u>(2,003,165)</u>
Balance at 31 December	<u>46,442,500</u>	<u>48,836,225</u>
Attributable to:		
Policyholders	19,531,036	21,526,800
Shareholders	<u>26,911,464</u>	<u>27,309,425</u>
	<u>46,442,500</u>	<u>48,836,225</u>

The investment properties represent the fair value of the properties located in U.A.E.

The fair value of the Group's investment properties as at 31 December 2019 and 2018 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. Level 3).

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income earned by the Group from its investment properties which are leased under operating leases and the direct operating expenses arising in the management of investment properties were as follows:

	2019 AED	2018 AED
Rental income	3,140,507	3,324,897
Direct operating expenses	<u>(1,200,917)</u>	<u>(1,035,500)</u>
Income from investment property (note 26)	<u>1,939,590</u>	<u>2,289,397</u>

**12. Cash and cash equivalents**

	2019 AED	2018 AED
Cash on hand	194,162	155,632
Bank balances		
Current accounts	22,260,960	21,537,900
Call accounts	<u>4,922,934</u>	<u>3,344,591</u>
	<u>27,378,056</u>	<u>25,038,123</u>
Attributable to:		
Policyholders	21,205,716	17,236,387
Shareholders	<u>6,172,340</u>	<u>7,801,736</u>
	<u>27,378,056</u>	<u>25,038,123</u>

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**13. Property and Equipment**

2019	Building improvements AED	Leasehold improvements AED	Furniture and fixtures AED	Office equipment AED	Vehicles AED	Capital work in progress AED	Right to use assets AED	Total AED
Cost								
At 1 January 2019	10,226,500	2,329,993	8,199,273	4,969,646	1,058,905	1,317,630	-	28,101,947
Additions	-	-	197,676	238,001	-	343,474	1,115,905	1,895,056
Impairment loss during the year	-	(1,010,815)	(11,493)	(279,512)	(35,315)	(26,341)	-	(1,363,476)
Reclassification to assets held for sale (note 27)	-	(1,319,178)	(14,998)	(364,782)	(46,090)	(34,376)	-	(1,779,424)
Transfer	-	-	-	51,581	-	(51,581)	-	-
Transfer to intangible assets (note 14)	-	-	-	-	-	(1,289,216)	-	(1,289,216)
At 31 December 2019	10,226,500	-	8,370,458	4,614,934	977,500	259,590	1,115,905	25,564,887
Accumulated depreciation								
At 1 January 2019	2,538,158	679,812	7,337,475	4,100,628	913,914	-	-	15,569,987
Charge for the year	255,660	-	349,968	510,763	90,880	-	557,952	1,765,223
Reclassification to assets held for sale (note 27)	-	(679,812)	(41,373)	(525,159)	(28,136)	-	-	(1,274,480)
At 31 December 2019	2,793,818	-	7,646,070	4,086,232	976,658	-	557,952	16,060,730
Carrying amount								
At 31 December 2019	7,432,682	-	724,388	528,702	842	259,590	557,953	9,504,157
2018								
Cost								
At 1 January 2018	10,226,500	2,073,956	7,777,638	4,819,499	1,023,000	721,138	-	26,641,731
Additions	-	256,037	139,835	85,234	35,905	996,420	-	1,513,431
Transfer	-	-	281,800	64,913	-	(346,713)	-	-
Transfer to intangible assets (note 14)	-	-	-	-	-	(53,215)	-	(53,215)
At 31 December 2018	10,226,500	2,329,993	8,199,273	4,969,646	1,058,905	1,317,630	-	28,101,947
Accumulated depreciation								
At 1 January 2018	2,282,498	425,143	6,503,832	3,563,762	727,632	-	-	13,502,867
Charge for the year	255,660	254,669	833,643	536,866	186,282	-	-	2,067,120
At 31 December 2018	2,538,158	679,812	7,337,475	4,100,628	913,914	-	-	15,569,987
Carrying amount								
At 31 December 2018	7,688,342	1,650,181	861,798	869,018	144,991	1,317,630	-	12,531,960

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**14. Intangible Assets**

	2019 AED	2018 AED
<b>Cost</b>		
At 1 January	3,389,988	3,106,213
Additions during the year	107,353	230,560
Transfer from property and equipment (note 13)	1,289,216	53,215
Impairment loss during the year	(241,356)	-
At 31 December	<u>4,545,201</u>	<u>3,389,988</u>
<b>Accumulated amortisation</b>		
At 1 January	2,917,263	2,680,299
Amortization during the year	388,760	236,964
At 31 December	<u>3,306,023</u>	<u>2,917,263</u>
<b>Net carrying amount</b>	<u>1,239,178</u>	<u>472,725</u>

Intangible assets represent ERP solution software and key money.

**15. Restricted deposit**

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Group.

These deposits have a fixed maturity of one year from the date of deposit and yield a profit rate of 2.35% p.a. (2018: 3.9% p.a.).

**16. Due from policyholders and due to shareholders**

The balance consists of the net of Wakala fees and Qard Hassan balances that is due to the shareholders from the policyholders amounting to AED 12,933,881 (2018: 2,508,962).

**17. Takaful payables**

	2019 AED	2018 AED
Due to takaful companies, garages and other third parties	64,935,042	81,691,112
Due to retakaful companies	45,111,354	28,715,454
Other payables	2,611,672	2,063,229
	<u>112,658,068</u>	<u>112,469,795</u>
	2019 AED	2018 AED
Inside UAE	91,672,485	97,610,307
Outside UAE	20,985,583	14,859,488
	<u>112,658,068</u>	<u>112,469,795</u>

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**17. Takaful payables (continued)**

	2019 AED	2018 AED
<b>Takaful payables - Inside UAE</b>		
Due to takaful companies, garages and other third parties	64,935,042	81,691,112
Due to retakaful companies	24,125,772	13,851,426
Accrued expenses	1,189,211	1,408,277
Other payables	1,422,460	659,492
	<u>91,672,485</u>	<u>97,610,307</u>
<b>Takaful payables - Outside UAE</b>		
Due to retakaful companies	20,985,583	14,859,488
	<u>20,985,583</u>	<u>14,859,488</u>

**18. Qard Hassan**

	2019 AED	2018 AED
<b>(i) Qard Hassan</b>		
As at 1 January	(21,019,209)	(92,427,166)
Deficit during the year	(44,912,761)	(11,776,480)
Written off during the year	(938,374)	83,184,437
As at 31 December	<u>(66,870,344)</u>	<u>(21,019,209)</u>
<b>(ii) Provision against Qard Hassan</b>		
As at 1 January	21,019,209	92,427,166
Provision during the year	44,912,761	11,776,480
Written off during the year	938,374	(83,184,437)
As at 31 December	<u>66,870,344</u>	<u>21,019,209</u>

**19. Other liabilities**

	2019 AED	2018 AED
Accrued expenses and other payables	6,313,842	6,836,425
End of service benefits	2,541,158	2,476,570
Lease liabilities	567,920	-
Accrued leave salary	213,628	321,367
	<u>9,636,548</u>	<u>9,634,362</u>

**End of service benefits**

Movements in the provision for employees' end of service benefits during the year were as follows:

	2019 AED	2018 AED
As at 1 January	2,476,570	2,671,073
Charged during the year	680,944	901,639
Paid during the year	(453,919)	(1,096,142)
Reclassification to liabilities held for sale	(162,437)	-
As at 31 December	<u>2,541,158</u>	<u>2,476,570</u>

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**20. Share capital**

	2019 AED	2018 AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each (31 December 2018: 150,000,000 ordinary shares)	<u>150,000,000</u>	<u>150,000,000</u>

**21. Statutory reserve**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. For the year ended 31 December 2019, balance amounting to AED 490,516 (2018: AED 671,450) was transferred to statutory reserve.

**22. Net contributions**

	Motor AED	Medical AED	General takaful AED	Total AED
<b>2019</b>				
Takaful contracts:				
Gross contribution written	73,652,632	280,211,518	49,102,177	402,966,327
Movement in unearned contributions	4,629,186	(84,819,092)	(192,946)	(80,382,852)
<b>Takaful contribution revenues</b>	<u>78,281,818</u>	<u>195,392,426</u>	<u>48,909,231</u>	<u>322,583,475</u>
Retakaful share of contribution	(1,910,557)	(95,390,662)	(41,292,541)	(138,593,760)
Movement in unearned contributions	(371,579)	(6,445,915)	235,634	(6,581,860)
<b>Retakaful contribution revenues</b>	<u>(2,282,136)</u>	<u>(101,836,577)</u>	<u>(41,056,907)</u>	<u>(145,175,620)</u>
<b>Total contribution revenues</b>	<u>75,999,682</u>	<u>93,555,849</u>	<u>7,852,324</u>	<u>177,407,855</u>
<b>2018</b>				
Takaful contracts:				
Gross contribution written	88,025,411	157,651,812	44,962,738	290,639,961
Movement in unearned contributions	(2,626,010)	42,095,576	542,211	40,011,777
<b>Takaful contribution revenues</b>	<u>85,399,401</u>	<u>199,747,388</u>	<u>45,504,949</u>	<u>330,651,738</u>
Retakaful share of contribution	(2,026,666)	(87,836,867)	(37,171,288)	(127,034,821)
Movement in unearned contributions	140,288	(20,374,222)	(618,467)	(20,852,401)
<b>Retakaful contribution revenues</b>	<u>(1,886,378)</u>	<u>(108,211,089)</u>	<u>(37,789,755)</u>	<u>(147,887,222)</u>
<b>Total contribution revenues</b>	<u>83,513,023</u>	<u>91,536,299</u>	<u>7,715,194</u>	<u>182,764,516</u>

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**23. Claims incurred**

	Motor AED	Medical AED	General takaful AED	Total AED
<b>2019</b>				
<b>Gross</b>				
Takaful claims paid	48,195,086	136,125,668	12,631,342	196,952,096
Movement in provision for claims reported unsettled	1,557,134	9,194,825	3,112,334	13,864,293
Movement in provision for incurred but not reported	(2,856,455)	(12,878,259)	(2,418,815)	(18,153,529)
Movement in provision for ULAE	848,320	(236,057)	867,869	1,480,132
Movement in provision for CDR	167,056	(455,784)	481,106	192,378
<b>Total</b>	<b>47,911,141</b>	<b>131,750,393</b>	<b>14,673,836</b>	<b>194,335,370</b>
<b>Retakaful</b>				
Retakaful share of claims paid	(3,005,570)	(84,933,196)	(11,277,584)	(99,216,350)
Movement in provision for claims reported unsettled	835,416	(2,506,335)	440,160	(1,230,759)
Movement in provision for incurred but not reported	3,070,147	7,923,471	1,899,318	12,892,936
<b>Total</b>	<b>899,993</b>	<b>(79,516,060)</b>	<b>(8,938,106)</b>	<b>(87,554,173)</b>
<b>Claims recorded in the consolidated statement of income</b>	<b>48,811,134</b>	<b>52,234,333</b>	<b>5,735,730</b>	<b>106,781,197</b>
<b>2018</b>				
<b>Gross</b>				
Takaful claims paid	57,508,723	165,407,200	20,772,975	243,688,898
Movement in provision for claims reported unsettled	(3,457,552)	(6,621,509)	(2,314,081)	(12,393,142)
Movement in provision for incurred but not reported	3,716,489	(19,561,254)	6,819,057	(9,025,708)
Movement in provision for ULAE	(622,259)	363,058	298,811	39,610
Movement in provision for CDR	-	455,784	(376,564)	79,220
<b>Total</b>	<b>57,145,401</b>	<b>140,043,279</b>	<b>25,200,198</b>	<b>222,388,878</b>
<b>Retakaful</b>				
Retakaful share of claims paid	(2,463,383)	(113,896,843)	(18,520,693)	(134,880,919)
Movement in provision for claims reported unsettled	(1,955,138)	6,551,570	1,216,967	5,813,399
Movement in provision for incurred but not reported	(3,008,370)	18,083,452	(6,499,436)	8,575,646
<b>Total</b>	<b>(7,426,891)</b>	<b>(89,261,821)</b>	<b>(23,803,162)</b>	<b>(120,491,874)</b>
<b>Claims recorded in the consolidated statement of income</b>	<b>49,718,510</b>	<b>50,781,458</b>	<b>1,397,036</b>	<b>101,897,004</b>

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**24. Wakala fees and Mudarib's fee**

**Wakala fees**

Wakala fee for the year ended 31 December 2019 amounted to AED 120,889,900 (2018: AED 98,817,407). The fee is calculated at maximum of 30% (2018: 30%) of gross contribution of AED 402,966,327 (2018: AED 290,639,961) without any deduction of policy acquisition cost. Wakala fee is charged to the consolidated statement of income when incurred.

**Mudarib's fee**

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib fee is charged at 35% (2018: 50%) of realised investment income. During the year, Mudarib's fee amounted to AED 1,718,608 (2018: AED 1,691,981).

**25. General and administrative expenses**

	2019 AED	2018 AED
Staff cost	22,660,239	27,460,517
Administrative expenses	9,198,559	8,040,863
Depreciation and amortisation	2,153,983	2,304,084
Provision for doubtful debts (note 8)	1,485,662	3,047,051
Marketing expenses	204,422	506,681
Other expenses	-	24,349
	<b>35,702,865</b>	<b>41,383,545</b>

**26. Investment and other income**

2019	Policyholders AED	Shareholders AED	Total AED
<b>Fair value losses</b>			
Fair value loss on investment properties (note 11)	(1,995,764)	(397,961)	(2,393,725)
<b>Realised loss</b>			
Loss on sale of financial assets carried at FVOCI	(161,226)	(33,893)	(195,119)
<b>Other investment income</b>			
Income from wakala deposits	3,295,407	2,368,243	5,663,650
Dividend income	-	82,934	82,934
Income from debt securities	328,568	492,430	820,998
Rental income from investments properties - net (note 11)	1,315,540	624,050	1,939,590
Other income	380,429	34,223	414,652
	<b>3,162,954</b>	<b>3,170,026</b>	<b>6,332,980</b>

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**26. Investment and other income (continued)**

2018	Policyholders AED	Shareholders AED	Total AED
Fair value losses			
Fair value loss on investment properties (note 11)	(946,592)	(1,056,573)	(2,003,165)
Realised gain			
Gain/(loss) on sale of financial assets carried at FVTPL	29,266	(3,734,503)	(3,705,237)
Gain/(loss) on sale of financial assets carried at FVOCI	19,588	(323,158)	(303,570)
Other investment income			
Income from wakala deposits	2,051,816	1,149,716	3,201,532
Dividend income	21,043	517,775	538,818
Income from debt securities	378,053	485,904	863,957
Rental income from investments properties – net (note 11)	879,911	1,409,486	2,289,397
Other income/(loss)	1,441,020	(398,168)	1,042,852
	<u>3,874,105</u>	<u>(1,949,521)</u>	<u>1,924,584</u>

Investment income has been allocated to the shareholders and policyholders on the basis of investments held by each fund.

**27. Subsidiary classified as held for sale**

During the year ended 31 December 2015, the Group acquired a subsidiary for AED 2 million in which 51% is registered in the name of a related party in trust and for the benefit of the Group.

At the end of 2019, management has decided to discontinue operations of Auto Crew Workshop LLC in line with Group's strategy to close loss making operations and focus on core insurance activities. Consequently, revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss of the Group's continuing operations and are shown as a single line item in the statement of income.

Cash flows of the disposal group are not disclosed separately considering such amounts are not material.

At 31 December 2019, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2019 AED
Current assets:	
Property and equipment	504,944
Trade and other receivables	272,489
Cash and bank	94,574
Assets classified as held for sale	<u>872,007</u>
Current liabilities:	
Trade and other payables	526,994
Liabilities classified as held for sale	<u>526,994</u>

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**27. Subsidiary classified as held for sale (continued)**

Operating results of the disposal group for the year ended 31 December 2019 are summarised as follows:

	2019 AED
Revenue	4,201,389
Cost of sales	<u>(3,939,664)</u>
Operating profit	261,725
Impairment loss during the year	(2,200,000)
Indirect expenses	<u>(1,385,691)</u>
Loss for the year	<u><u>(3,323,966)</u></u>

The Group has reviewed the investment in Auto Crew Workshop LLC for indicators of impairment before the classification as held for sale. Consequently, the Group has recognised an impairment loss of AED 2.2 million for the year ended 31 December 2019.

**28. Earnings per share**

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	2019	2018
Profit for the year attributable to shareholders (in AED)	<u>4,905,160</u>	6,714,499
Numbers of ordinary shares outstanding at 1 January	<u>150,000,000</u>	150,000,000
Effect of right issue of shares	-	-
Weighted average number of shares outstanding at 31 December	<u>150,000,000</u>	150,000,000
Basic and diluted earnings per share (in AED)	<u>0.033</u>	0.045

Diluted earnings per share as of 31 December 2019 and 2018 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

**29. Available-for-sale investments reserve**

This reserve records gains and losses arising from changes in fair value of available-for-sale investments (AFS).

**30. Related party transactions**

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties

Related parties represent the major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management

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**30. Related party transactions (continued)**

**Balances with related parties**

Balances with related parties included in the consolidated statement of financial position are as follows:

	2019 AED	2018 AED
<b><i>Wakala deposits</i></b>		
Major Shareholders	<u>30,000,000</u>	<u>30,000,000</u>
<b><i>Takaful and other receivables</i></b>		
Major Shareholders	<u>313,129</u>	<u>572,498</u>
<b><i>Takaful and other payables</i></b>		
Major Shareholders	<u>56,955</u>	<u>282,656</u>

**Transactions with related parties**

Transactions with related parties included in the consolidated financial statements are as follows:

	2019 AED	2018 AED
<b><i>Contributions earned</i></b>		
Major Shareholders	5,993,799	4,074,457
Other related parties	<u>15,571,118</u>	<u>3,321,510</u>
	<u>21,564,917</u>	<u>7,395,967</u>
<b><i>Claims paid</i></b>		
Major Shareholders	2,127,993	3,346,267
Other related parties	<u>2,814,029</u>	<u>3,491,749</u>
	<u>4,942,022</u>	<u>6,838,016</u>
<b><i>Management charges paid</i></b>		
Major Shareholders	<u>204,000</u>	<u>264,000</u>

**Compensation of key management personnel**

	2019 AED	2018 AED
Short-term benefits	3,349,690	5,190,787
Employees' end of service benefits	<u>123,679</u>	<u>283,922</u>
	<u>3,473,369</u>	<u>5,474,709</u>

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2019 and 31 December 2018, the Group has not recorded any impairment of amounts owed by related parties.

**31. Fatwa and Sharia'a supervisory board**

The Group's business activities are subject to the supervision of a Fatwa and Shari'a Supervisory Board (FSSB) consisting of three members appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Shari'a rules and principles.

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**31. Fatwa and Sharia'a supervisory board (continued)**

According to the Group's FSSB, the Group is required to identify any income deemed to be derived from transactions not acceptable under Islamic Shari'a rules and principles, as interpreted by FSSB, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

**32. Zakat**

Zakat as approved by the Group's Sharia'a Supervisory Board amounted to AED 0.01283 per share (2018: 0.01052 per share).

The Management has opted to communicate the amount of Zakat payable to each shareholder, requiring them to pay their share of Zakat directly.

**33. Segmental information**

For management purposes the Group is organised into two business segments; general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Group on behalf of Policyholders. Investment comprises investment and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the consolidated financial statements.

Except for Wakala fees, Mudarib's fees and Qard Hassan, no other inter-segment transactions occurred during the year. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown on the next page.

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**33. Segmental information (Continued)**

2019	General takaful AED	Group life (employee benefits) AED	Investments AED	Total AED
<b>Attributable to policyholders</b>				
<b>Takaful income</b>				
Gross contribution written	384,578,330	17,639,374	-	402,217,704
Accepted business	748,623	-	-	748,623
Retakaful share of ceded business	(121,894,111)	(16,699,649)	-	(138,593,760)
<b>Net Takaful contributions</b>	<b>263,432,842</b>	<b>939,725</b>	<b>-</b>	<b>264,372,567</b>
Net transfer to unearned contributions reserve	(86,944,738)	(19,974)	-	(86,964,712)
<b>Net Takaful contributions earned</b>	<b>176,488,104</b>	<b>919,751</b>	<b>-</b>	<b>177,407,855</b>
Discount earned	6,109,070	21,124	-	6,130,194
Policy fee	24,915	856	-	25,771
<b>Total Takaful Income</b>	<b>182,622,089</b>	<b>941,731</b>	<b>-</b>	<b>183,563,820</b>
<b>Takaful expenses</b>				
Gross claims paid	(189,053,145)	(7,898,951)	-	(196,952,096)
Retakaful share of ceded business paid	91,647,228	7,569,122	-	99,216,350
<b>Net Takaful claims paid</b>	<b>(97,405,917)</b>	<b>(329,829)</b>	<b>-</b>	<b>(97,735,746)</b>
Provision for outstanding claims	(10,126,101)	(3,738,192)	-	(13,864,293)
Retakaful share of outstanding claims	(2,274,674)	3,505,433	-	1,230,759
Change in incurred but not reported claims	5,363,513	(102,920)	-	5,260,593
Change in unallocated loss adjustment expenses reserve	(1,060,397)	(419,735)	-	(1,480,132)
Changes in the provision for contribution deficiency reserve	64,340	(256,718)	-	(192,378)
<b>Net claims incurred</b>	<b>(105,439,236)</b>	<b>(1,341,961)</b>	<b>-</b>	<b>(106,781,197)</b>
Excess of loss of takaful contribution	(2,249,830)	-	-	(2,249,830)
<b>Total Takaful Income</b>	<b>74,933,023</b>	<b>(400,230)</b>	<b>-</b>	<b>74,532,793</b>
Wakala (fee)/income	(115,598,088)	(5,291,812)	120,889,900	-
Mudarib's (fee)/income	(1,718,608)	-	1,718,608	-
Policy acquisition cost	-	-	(35,181,363)	(35,181,363)
Other underwriting expenses	-	-	(1,752,419)	(1,752,419)
General and administrative expenses	-	-	(35,702,865)	(35,702,865)
Investment and other income	3,162,954	-	3,170,026	6,332,980
Loss for the year from subsidiary classified as held for sale	-	-	(3,323,966)	(3,323,966)
<b>(Loss)/profit for the year</b>	<b>(39,220,719)</b>	<b>(5,692,042)</b>	<b>49,817,921</b>	<b>4,905,160</b>

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**33. Segmental information (Continued)**

2018	General takaful AED	Group life (employee benefits) AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	275,778,067	14,634,111	-	290,412,178
Accepted business	227,783	-	-	227,783
Retakaful share of ceded business	(113,258,165)	(13,776,656)	-	(127,034,821)
Net Takaful contributions	162,747,685	857,455	-	163,605,140
Net transfer to unearned contributions reserve	19,180,768	(21,392)	-	19,159,376
Net Takaful contributions earned	181,928,453	836,063	-	182,764,516
Discount earned	6,167,334	102,387	-	6,269,721
Policy fee	118,261	-	-	118,261
Total Takaful Income	188,214,048	938,450	-	189,152,498
Takaful expenses				
Gross claims paid	(233,362,275)	(10,326,623)	-	(243,688,898)
Retakaful share of ceded business paid	124,871,461	10,009,458	-	134,880,919
Net Takaful claims paid	(108,490,814)	(317,165)	-	(108,807,979)
Provision for outstanding claims	13,492,927	(1,099,785)	-	12,393,142
Retakaful share of outstanding claims	(6,830,022)	1,016,623	-	(5,813,399)
Change in incurred but not reported claims	450,062	-	-	450,062
Change in unallocated loss adjustment expenses reserve	(39,610)	-	-	(39,610)
Changes in the provision for contribution deficiency reserve	(79,220)	-	-	(79,220)
Net claims incurred	(101,496,677)	(400,327)	-	(101,897,004)
Excess of loss of takaful contribution	(2,396,691)	-	-	(2,396,691)
Total Takaful Income	84,320,680	538,123	-	84,858,803
Wakala (fee)/income	(93,841,809)	(4,975,598)	98,817,407	-
Mudarib's (fee)/income	(1,691,981)	-	1,691,981	-
Policy acquisition cost	-	-	(37,390,936)	(37,390,936)
Other underwriting expenses	-	-	(1,294,407)	(1,294,407)
General and administrative expenses	-	-	(41,383,545)	(41,383,545)
Investment and other income/(loss)	3,874,105	-	(1,949,521)	1,924,584
(Loss)/profit for the year	(7,339,005)	(4,437,475)	18,490,979	6,714,499

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**33. Segment information (continued)**

The following tables demonstrate other information related to each business segments:

	Takaful AED	Investment AED	Total AED
2019			
<b>Total assets</b>	<b>420,754,783</b>	<b>137,859,942</b>	<b>558,614,725</b>
<b>Total liabilities</b>	<b>420,853,042</b>	<b>10,163,542</b>	<b>431,016,584</b>
2018	Takaful AED	Investment AED	Total AED
Total assets	332,130,649	132,475,223	464,605,872
Total liabilities	332,272,729	9,634,362	341,907,091

**34 Capital management**

**Governance framework**

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the Board of Directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the Board of Directors to the Managing Director.

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Management under the authority delegated from the Board of Directors defines the Group's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

**Capital management framework**

The primary objective of the Group's capital management is to comply with the regulatory requirements in the U.A.E. and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group has fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

**Regulatory framework**

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

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**34 Capital management (continued)**

**Regulatory framework (continued)**

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise

**35. Financial instruments**

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

**Categories of financial instruments**

	2019 AED	2018 AED
<b>Financial assets</b>		
At amortised cost	373,781,501	274,728,497
At fair value	10,869,178	11,714,347
	<u>384,650,679</u>	<u>286,442,844</u>
<b>Financial liabilities</b>		
At amortised cost	<u>119,539,830</u>	<u>119,306,220</u>

**36. Risk management**

**Asset liability management (ALM) framework**

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under Takaful contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from Takaful contracts by reference to the type of benefits payable to contract holders.

The Managing Director actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from Takaful contracts.

The Managing Director regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with Takaful liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised as follows:

**Takaful risk**

The principal risk the Group faces under Takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Takaful risk is basically concentrated in the motor class of business. However, the variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

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**36. Risk management (continued)**

**Takaful risk (continued)**

*i) Frequency and amounts of claims*

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, fire and medical risks. These are regarded as short-term Takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate Takaful risk.

*Motor*

Motor takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has retakaful cover for such claims to limit losses for any individual claim to AED 350,000 (2018: AED 350,000).

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

*Property*

Property takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property takaful contracts the main risks are fire and business interruption. The Group's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has retakaful cover for such damage to limit losses for any individual claim to AED 350,000 (2018: AED 350,000).

*Liability*

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The Group has retakaful to limit losses for any individual claim to AED 350,000 (2018: AED 350,000).

*Medical*

Medical takaful is designed to compensate the contract holders for medical costs. Personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical takaful, the main risks are illness and related healthcare costs. The Group generally does not offer medical takaful to walk-in customers and is mainly offered to corporate customers with large population to be covered under the policy. The Group has retakaful to limit losses for any individual claim to 75%-80% of the claim amount.

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**36. Risk management (continued)**

**Takaful risk (continued)**

*i) Frequency and amounts of claims (continued)*

*Marine*

Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has retakaful to limit losses for any individual claim to AED 350,000 (2018: AED 350,000).

*Fire*

Fire takaful is designed to compensate contract holders for damage and liability arising through loss or damage to the insured assets.

The Group's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. The Group has retakaful to limit losses for any individual claim to AED 350,000 (2018: AED 350,000).

*ii) Concentration of risks*

The Takaful risk arising from Takaful contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to prior year.

The table below sets out the concentration of contract liabilities by type of contract:

	Gross liabilities AED	Retakaful share of liabilities AED	Net liabilities AED
<b>2019</b>			
Medical	25,755,114	(10,376,809)	15,378,305
Motor	21,147,733	(3,320,489)	17,827,244
Marine	107,310	(86,214)	21,096
Engineering	4,631,131	(4,346,599)	284,532
Fire	4,181,847	(3,845,831)	336,016
Liability	2,500,974	(911,546)	1,589,428
General Accident	6,568,903	(5,787,580)	781,323
<b>Total</b>	<b>64,893,012</b>	<b>(28,675,068)</b>	<b>36,217,944</b>
<b>2018</b>			
Medical	16,560,289	(10,816,968)	5,743,321
Motor	19,590,598	(4,155,905)	15,434,693
Marine	310,430	(292,015)	18,415
Engineering	4,875,315	(4,712,574)	162,741
Fire	3,747,411	(3,467,883)	279,528
Liability	2,346,505	(1,190,210)	1,156,295
General Accident	3,598,171	(2,808,755)	789,416
<b>Total</b>	<b>51,028,719</b>	<b>(27,444,310)</b>	<b>23,584,409</b>

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**36. Risk management (continued)**

**Takaful risk (continued)**

*iii) Retakaful risk*

As general industry practice and in order to minimise financial exposure arising from large Takaful claims, the Group, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of its retakaful and ensure diversification of retakaful providers. The Group deals with retakaful approved by the Board of Directors.

**Financial risk**

The Group's principal financial instruments are investment securities, wakala deposits, takaful receivables, other receivables and cash and cash equivalents.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, profit risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group does not enter into any derivative transactions.

*i) Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into Takaful and retakaful contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from Takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Group's exposure against defaults.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments are managed by the Managing Director in accordance with the guidance of the investment committee and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

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**36. Risk management (continued)**

**Financial risk (continued)**

*i) Credit risk*

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2019 AED	2018 AED
Financial instruments - Debt securities	14,074,495	14,172,752
Restricted deposits	6,000,000	6,000,000
Wakala deposits	162,150,209	122,897,903
Takaful and retakaful receivables	162,906,724	98,256,161
Other receivables	5,915,874	11,812,123
Bank balances	27,183,894	24,882,491
	<u>378,231,196</u>	<u>278,021,430</u>

Takaful receivables comprise a large number of customers and takaful companies mainly within the United Arab Emirates. Retakaful receivables are from the retakaful companies based mainly in the UAE and some of the retakaful payable in Europe (rest of the world).

For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 180 days and impairment adjustment is recorded in the consolidated statement of income. When the credit exposure is adequately secured or when the management is confident of recovery, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

There are no significant concentrations of credit risk to receivables outside the industry in which the Group operates.

*ii) Impaired financial assets*

At 31 December 2019, there are impaired contribution receivables and retakaful receivable of AED 11,915,374 (2018: AED 10,429,712). The Group records impairment allowances in a separate impairment allowance account.

*iii) Collateral*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained in the form of postdated cheques and guarantees.

*Financial instruments - investments*

Investments in financial assets represent investments in quoted and unquoted equity and debt instruments of companies incorporated in the United Arab Emirates, and outside United Arab Emirates (note 5).

*Cash and cash equivalents*

Cash and cash equivalents of the Group are with Banks and other financial institutions registered and operate in the United Arab Emirates.

*iv) Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with its financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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**36. Risk management (continued)**

**Financial risk (continued)**

*iv) Liquidity risk (continued)*

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than one year AED	More than one year AED	No term AED	Total AED
<b>2019</b>				
<b>Assets</b>				
Investment securities	-	14,074,495	7,518,870	21,593,365
Restricted deposits	6,000,000	-	-	6,000,000
Wakala deposits	162,150,209	-	-	162,150,209
Takaful receivables	139,887,954	23,018,770	-	162,906,724
Other assets	5,915,874	-	-	5,915,874
Cash and cash equivalents	27,378,056	-	-	27,378,056
	<b>341,332,093</b>	<b>37,093,265</b>	<b>7,518,870</b>	<b>385,944,228</b>
<b>Liabilities</b>				
Takaful payables	112,658,068	-	-	112,658,068
Other liabilities	6,881,762	-	-	6,881,762
	<b>119,539,830</b>	<b>-</b>	<b>-</b>	<b>119,539,830</b>
<b>2018</b>				
<b>Assets</b>				
Investment securities	-	14,172,752	8,265,782	22,438,534
Restricted deposits	6,000,000	-	-	6,000,000
Wakala deposits	122,897,903	-	-	122,897,903
Takaful receivables	98,256,161	-	-	98,256,161
Other assets	11,812,123	-	-	11,812,123
Cash and cash equivalents	25,038,123	-	-	25,038,123
	<b>264,004,310</b>	<b>14,172,752</b>	<b>8,265,782</b>	<b>286,442,844</b>
<b>Liabilities</b>				
Takaful payables	112,469,795	-	-	112,469,795
Other liabilities	6,836,425	-	-	6,836,425
	<b>119,306,220</b>	<b>-</b>	<b>-</b>	<b>119,306,220</b>

*v) Market risk*

Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value of risk that may be accepted by the Group is monitored on a regular basis by management.

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**36. Risk management (continued)**

**Financial risk (continued)**

*vi) Profit rate risk*

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Floating rate instruments expose the Group to cash flow risk.

The Group is exposed to profit rate risk on certain of its investments and bank balances and cash. The Group limits its risk by monitoring changes in such rates.

The sensitivity analysis below has been determined based on the exposure to profit rates for profit-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year:

	Increase in basis points	Effect on profit for the year AED
<b>2019</b>		
Profit bearing assets	+100	1,822,247
<b>2018</b>		
Profit bearing assets	+100	1,430,707

Any movement in profit rates in the opposite direction will produce exactly opposite results.

The impact of changes in profit rate risk is not expected to be significant for the Group, as all financial assets and financial liabilities bears fixed profit rates.

*vii) Equity price risk*

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group has no significant concentration of price risk. The price risk is managed by outsourcing the trading of securities held by the Group to professional brokers. However the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 20% increase or decrease as at 31 December:

	<u>Reflected in profit or loss</u>		<u>Reflected in other comprehensive income</u>	
	Favorable change AED	Unfavorable change AED	Favorable change AED	Unfavorable change AED
<b>2019</b>				
Equity securities	-	-	1,503,774	(1,503,774)
<b>2018</b>				
Equity securities	-	-	1,653,156	(1,653,156)

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**36. Risk management (continued)**

**Financial risk (continued)**

*viii) Operational risk*

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

**37. Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market policyholders at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

**Fair value of financial instruments carried at amortised cost**

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

**Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2018.

**Fair value of the Group's financial assets that are measured at fair value on recurring basis**

Some of the Group's financial assets are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Group into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**37. Fair value measurements (continued)**

Fair value of the Group's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2019 AED	31 December 2018 AED				
<b>Available for sale</b>						
Quoted equity securities	-	499,531	Level 1	Quoted bid prices in an active market.	None	N/A
Quoted debt Securities	2,350,308	2,448,565	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	7,518,870	7,766,251	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Unquoted debt securities	1,000,000	1,000,000	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value

The management considers that the carrying amounts of financial assets held to maturity in the consolidated financial statements approximate their fair values. The fair value is mainly based on unobservable inputs (i.e. Level 3).

There were no changes during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**38. Contingencies and commitments**

**Commitments**

The Group has the following capital expenditure commitment at the reporting date:

	2019 AED	2018 AED
Software development	183,500	330,480

**Guarantees**

As at 31 December 2019, the Group has bank guarantees against labour and third-party commitments for AED 299,940 (2018: AED 425,020).

**Legal claims**

The Group is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position.

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**For the year ended 31 December 2019**

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**39. Social contribution**

The social contribution (including donations and charities) made during the year 2019 amounted to AED 106,847 (2018: AED 68,200).

**40. Financial regulations**

	2019 AED	2018 AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	79,768,746	69,274,163
Minimum Guarantee Fund (MGF)	46,349,297	48,012,163
Basic Own Funds	151,742,056	100,790,992
MCR Solvency Margin - Surplus / (Deficit)	51,742,056	790,992
SCR Solvency Margin - Surplus / (Deficit)	71,973,310	31,516,828
MGF Solvency Margin - Surplus / (Deficit)	105,392,759	52,778,829

**41. Comparatives**

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.

**42. Post-reporting date events**

On 18 February 2020, Group made an announcement that it has executed a conditional offer letter with Noor Investment Group LLC and Noor bank PJSC to acquire 100% of the shares of both Noor Takaful General PJSC and Noor Takaful Family PJSC.

Completion of the transaction is expected to take place in the second quarter of 2020 and is subject to shareholder and regulatory approval.